REMARKS

This Amendment, in connection with the following remarks, are submitted as fully responsive to the Office Action. Claims 1, 4, 6, 8, 9, 11, 12 and 16 have been amended. Claims 1 and 16 are the independent claims.

Claims 6, 9, 11 and 12 stand rejected under 35 U.S.C. § 112, second paragraph. Applicants have rewritten claims 6, 9, 11 and 12 to obviate any such rejection, and thus respectfully request that said rejection be withdrawn.

Claims 1-15 stand rejected under 35 U.S.C. § 101 as being directed to non-stautory subject matter. The basis of this rejection was an application of the "pencil and paper test" to determine that the claimed invention was "not within the technological arts." Applicants respectfully traverse, as these tests are now obsolete. Given the recent decision by the Board of Patent Appeals in *Ex parte Carl A. Lundgren*, Appeal No. 2003-2088 (Bd. Pat. App. & Interf. 2005), United States patent law does not support the application of a "technical aspect" or "technological arts" requirement. *See* Annex III "Improper Tests for Subject Matter Eligibility" *Interim Guidelines for Examination of Patent Applications for Patent Subject Matter Availability.* Thus, Applicants urge, under current law this rejection is improper and should be withdrawn.

Claims 1, and 4-15 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 5,704,045 to King ("*King*") in view of U.S. Patent No. 6,330,547 to Martin ("*Martin*"). Additionally, claims 2-3 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over *King* in view of *Martin*, and further in view of U.S. Patent No. 6,138,102 to Hinckley ("*Hinckley*"). Finally, claim 16 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 6,119,106 to Mersky ("*Mersky*") in

view of *Martin*, claims 17-19 stand rejected under 35 U.S.C. § 103(a) as being unpatentable over *Mersky* in view of *Martin* and further in view of *King*, and claim 20 stands rejected under 35 U.S.C. § 103(a) as being unpatentable over *Mersky* in view of *Martin* and further in view of *Hinckley*.

Applicants submit that the various rejections under 35 U.S.C. § 103(a) are improper for two reasons. First, there is no motivation to combine any of these references with each other. Second, even if there were, no such combination teaches each element of independent claims 1 or 16.

The lack of motivation to combine will first be addressed. The MPEP states, at Section 706.02(j), that to establish a *prima facie* case of obviousness there must be some suggestion in the references or in the knowledge generally available to one of ordinary skill in the art to combine reference teachings. Construing this exact issue, the Federal Circuit recently stated:

> The genius of invention is often a combination of known elements which in hindsight seems preordained. To prevent hindsight invalidation of patent claims, the law requires some "teaching, suggestion or reason" to combine cited references. ***Gambro Lundia AB v. Baxter Healthcare Corp.***, 110 F.3d 1573, 1579, 42 USPQ2d 1378, 1383 (Fed. Cir. 1997). When the art in question is relatively simple, as is the case here, the opportunity to judge by hindsight is particularly tempting. Consequently, the tests of whether to combine references need to be applied rigorously. See ***In re Dembiczak***, 175 F.3d 994, 999, 50 USPQ2d 1614, 1617 (Fed. Cir. 1999), limited on other grounds by ***In re Gartside***, 203 F.3d 1305, 53 USPQ2d 1769 (2000) (guarding against falling victim to the insidious effect of a hindsight syndrome wherein that which only the inventor taught is used against its teacher).
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> Whether a motivation to combine prior art references has been demonstrated is a question of fact. ***Winner Int'l Royalty Corp. v. Wang***, 202 F.3d 1340, 1348, 53 USPQ2d 1580, 1586 (Fed. Cir. 2000). The assessment of whether to combine references in a given case has sometimes been viewed conceptually as a subset of the first Graham factor, the scope and content of the prior art. See, e.g., ***id.***; ***Monarch Knitting Mach. Corp.v. Sulzer Morat Gmbh***, 139 F.3d 877, 881-83,

> 886, 45 USPQ2d 1977, 1981-82, 1985 (Fed. Cir. 1998). Although that view is not incorrect, accurate assessment of whether to combine references may require attention to other Graham factors. For example, the level of skill in the art may inform whether the artisan would find a suggestion to combine in the teachings of an exemplar of prior art. Where the level of skill is high, one may assume a keener appreciation of nuances taught by the prior art. Similarly, appreciation of the differences between the claims in suit and the scope of prior art references—a matter itself informed by the operative level of skill in the art—informs the question of whether to combine prior art references. At bottom, in each case the **factual inquiry whether to combine references must be thorough and searching.** (emphasis added)

McGinley v. Franklin Sports Inc., 60 USPQ2d 1001, 1008 (Fed. Cir. 2001).

Further amplifying this holding, the Federal Circuit added:

> In other words, the Board must explain the reasons one of ordinary skill in the art would have been motivated to select the references and to combine them to render the claimed invention obvious."); ***In re Fritch***, 972 F.2d 1260, 1265, 23 USPQ2d 1780, 1783 (Fed. Cir. 1992) (the examiner can satisfy the burden of showing obviousness of the combination "only by showing some objective teaching in the prior art or that knowledge generally available to one of ordinary skill in the art would lead that individual to combine the relevant teachings of the references").

In re Lee, 61 USPQ2d 1430, 1434 (Fed. Cir.2002).

Applicants submit that there is no motivation in either *King* or *Martin* to combine the two. *King* is directed to a risk transfer system involving multiple classes of investors. It is concerned with setting up two subsystems, namely reserved assets and general assets. Reserved assets are "statutorily protected." *King* actually contemplates changing the laws to which insurance companies are subject for its system to operate.

Martin is directed to enhancing the creditworthiness of intellectual property by providing a lender a quantified realization price on repossessed collateral. This involves a lender contracting in advance with a third party to purchase the intellectual property loan collateral at a defined price should there be a default by the borrower. *Martin* discloses a complicated formula for calculating that price.

Neither *King* nor *Martin* have anything to do with insolvency proceedings or expediting the time a creditor has to wait for payment in such an insolvency proceeding by using a responsible party to offer creditors a fixed sum well in advance of final distribution. Nobody, it is respectfully submitted, would be reasonably motivated to use in any way the cumbersome price calculations of *Martin* with the equally cumbersome risk transference scheme of *King*. They simply do not relate to one another.

Mersky is directed to a system to facilitate customer payments to creditors from a remote site. *Mersky* does not involve borrowing against or otherwise exploiting intellectual property. *Mersky,* dealing with **consumers** paying their monthly bills, is submitted as wholly unrelated to *Martin,* inasmuch as it concerns dealing with asset based financing for **small businesses** using intellectual property collateral to obtain operating capital. Applicants do not see any motivation for any such combination.

Finally, *Hinckley* is directed to a cash flow management system, and has little to do with either of *King*, *Martin* or *Mersky* on the one hand, or with early payments to creditors in an insolvency proceeding on the other.

Thus, following the law as articulated by the Federal Circuit, the Examiner's rejection of independent claims 1 and 16 cannot be maintained. There was no "result of a thorough and searching inquiry," and in no way was it particularly stated why someone trying to write put options for intellectual property assets as described in *Martin* so that their owners can borrow against them would seek to incorporate the complex investment scheme of *King* and thereby find a suggestion of some desirability (*see* requirement of MPEP 2143.01).

Moreover, even if the combinations proposed in the Office Action were proper, which Applicants assert they are not, no such combination teaches each of the elements of claims 1 or 16.

Claims 1 and 16 solve the recurrent problem of insolvency proceedings. Creditors have to wait until more information is known by a debtor to receive all of their monies. *Specification* at 2-3. They do not receive their full pro rata share until a final distribution occurs, often long after the inception of the insolvency proceedings. *Id.* at 4. The method of claim 1 trades certainty and quick payment for a discount. A responsible party offers to pay at least one creditor having a claim against the debtor a predetermined payment amount in satisfaction of the entire claim against the debtor. If the creditor accepts the offer, the responsible party pays the predetermined payment amount to the creditor. Moreover, the offer includes paying said creditor in advance of final distribution in the insolvency proceeding. Claim 16 recites an analogous system. Neither claim is taught by the cited prior art, whether alone or in combination.

The Office Action repeatedly construed the cited references as teaching methods of distributing property in an insolvency proceeding. Applicants respectfully traverse, and note that such construals are misguided. As discussed above, none of the cited references of either *King*, *Martin*, *Mersky* or *Hinckley* have anything at all to do with insolvency proceedings, or early payments to creditors in such insolvency proceedings.

Nothing in *King* is seen as describing an advance payment in full satisfaction of a debt in an insolvency proceeding prior to final distribution. Similarly, *Martin* is alleged in the Office Action as teaching offering, by a responsible party, to pay a creditor having

a claim against the debtor a predetermined amount in satisfaction of the entire claim against the debtor. Office Action at 4-5. *Martin* does not speak to the context of debtors and creditors ***in an insolvency proceeding***, rather to borrowers and lenders substantially before any insolvency. Contrary to the reading presented in the Office Action at page 5-6, *Martin* nowhere teaches that any payments by the surety in purchasing the intellectual property are in satisfaction of the lender's entire claim against the borrower as recited in independent claims 1 and 16. These payments are explicitly styled as a "known minimum recovery amount." The payment is *Martin* made after the lender has foreclosed the loan and repossessed the intellectual property, but not during an insolvency proceeding where the lender would otherwise have to wait for a full pro rata share payment under a final distribution at some indeterminate time in the future.

Clearly no insolvency proceeding context is at all contemplated in *Martin*, as a secured lender would not compromise or discount a claim to the extent it is secured by collateral. He would move to levy on the collateral if he had not already done so. If the claim exceeds the put option exercise price for the collateral then the put option is of no avail, and the method of claim 1, which would apply in such a situation to such a lender's benefit, is not at all taught or suggested in *Martin*. The two contexts of insolvency proceedings and a post repossession exercise of a put option by a lender are thus respectfully submitted as being mutually inconsistent. The latter assumes the existence of collateral and does not contemplate a requirement to wait for a payment plan; the former is addressed in claims 1 and 16.

Nothing is seen by Applicants in either *Mersky* or *Hinckley* that would serve to remedy the deficiencies of a combination of *King* and *Martin* as references against independent claims 1 or 16, as amended.

While *Mersky* uses the term "creditors," creditors in an insolvency context is not meant, rather creditors **to whom one owes their monthly bills**. *Mersky* is unconcerned with early payments to a creditor in an insolvency proceeding to avoid said creditor having to wait for an official payment plan to be determined. *Mersky* is concerned with obviating the need for using checks to pay monthly bills for people who cannot engage in online banking. *Mersky* is directed to a system facilitating the payment of creditors. Similarly, *Hinckley* is directed to cash flow insurance policies. At best a debtor might have been interested in the system of *Hinckley* ***prior to*** being forced to enter into an insolvency proceeding, but certainly not afterwards.

Thus, even if any of the various combinations of references asserted against claims 1 or 16 were properly motivated, which they are not, no combination of them would teach all of the elements of independent claims 1 and 16 as amended. Therefore these combinations and the various obviousness rejections based upon them are respectfully urged as improper and are respectfully requested to be withdrawn.

The remaining claims in this application, depending upon either claim 1 or 16, are urged as patentable for similar reasons.

If any questions remain as to the patentability of the pending claims, Applicants respectfully request the opportunity to have an interview with the Examiner, review

same, and present their point of view. The Examiner is thus invited to notify Applicants' undersigned attorney if such questions remain so that an interview can be scheduled.

No additional fees are believed due herewith. If any additional fees are due, the Commissioner is hereby authorized to charge any fee deemed necessary for the entry of this Amendment to Deposit Account No. 50-0540.

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Respectfully submitted,

By: ____________________

Aaron S. Haleva
Reg. No. 44,733
Tel (212) 715-7773
Fax (212) 715-9397

KRAMER LEVIN
NAFTALIS & FRANKEL LLP
1177 Avenue of the Americas
New York, NY 10036